

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 SCI-06

SCEM-02 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04 PRS-01

SS-20 USIA-15 AGR-20 NEA-10 DRC-01 /212 W

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P R 141826Z DEC 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 6495

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION NATO BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 14796

E.O. 11652: GDS

TAGS: PINT, EGEN, UK

SUBJECT: BRITISH EMERGENCY ECONOMIC MEASURES: HEATH'S  
POLITICAL STRATEGY

1. AFTER A LONG AND MUCH CRITICIZED DELAY, PM HEATH  
HAS NOW SHOWN WHAT THE GOVERNMENT'S POLITICAL STRATEGY  
WILL BE IN THE PRESENT ENERGY CRISIS. THE DRACONIAN  
RESTRICTIONS ANNOUNCED TO COMMONS YESTERDAY MAKE CLEAR  
THAT THE GOVERNMENT INTENDS TO BRING HOME DIRECTLY TO

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THE ENTIRE BRITISH PUBLIC THE COST OF THE OBSTINACY OF

THE TRADE UNIONS. GIVEN THE NECESSITY FOR DRASTIC CURTAILMENT OF ELECTRICITY CONSUMPTION, THE WAY IN WHICH THE GOVERNMENT PASSED OUT THE CUTS WILL AFFECT PRODUCTION ACROSS THE WHOLE SPECTRUM OF BRITISH INDUSTRY AND COMMERCE. IF CONTINUED FOR ANY TIME, THEY ARE CERTAIN TO LEAD TO UNEMPLOYMENT AND WILL ALMOST IMMEDIATELY RESULT IN REDUCED WAGE PACKETS FOR MOST WORKERS. THIS IS IN MARKED CONTRAST TO THE WAY THE GOVERNMENT HANDLED THE SITUATION IN THE LAST COAL STRIKE, WHEN ROTARY POWER CUTS WERE MADE. THOUGH EVERYONE WAS AFFECTED PART OF THE TIME, THE GENERAL PUBLIC DID NOT SUFFER UNDULY. PUBLIC PRESSURE ON THE MINERS TO ADJUST THEIR DEMANDS WAS NOT STRONG ENOUGH TO CAUSE THE MINERS TO MODERATE THEIR DEMANDS AND THE GOVERNMENT CAVED IN. HEATH HAS CLEARLY DECIDED NOT TO PLAY THAT GAME AGAIN. A FAILURE OF THE CONSERVATIVE GOVERNMENT TO COPE WITH THE PRESENT CRISIS COULD DESTROY HIS POSITION AND LEAD TO DEFEAT IN THE NEXT ELECTION.

2. HEATH APPARENTLY NOW BELIEVES THAT THIS TIME, AS THE COUNTRY IS REQUIRED TO TIGHTEN ITS BELT, AS WORKERS IN OTHER INDUSTRIES ARE THROWN OUT OF WORK AND AS PUBLIC CONCERN AND OUTRAGE GROW, THE MINERS AND RAILWAYMEN WILL FEEL UNREMITTING PRESSURE. IF THEY SHOULD THEN ACCEPT SETTLEMENTS, THE OTHER UNIONS LINED UP BEHIND WOULD LIKELY SETTLE THEIR CLAIMS WITHIN STAGE THREE. THE GOVERNMENT'S AUTHORITY WOULD THUS BE PRESERVED AND ITS POLITICAL POSITION STRENGTHENED.

3. THIS STRATEGY POSES OBVIOUS DIFFICULTIES FOR THE LABOR OPPOSITION, AS WELL AS THE TRADE UNIONS. LABOR CANNOT PLAUSIBLY DENY THE NEED FOR GOVERNMENT ACTION. IN POSING ALTERNATIVES TO THE GOVERNMENT'S POLICIES, IT WILL HAVE BEHIND IT ITS OWN UNFORTUNATE RECORD OF FAILURE TO CONTROL INFLATION OR TO DEAL SATISFACTORILY WITH INDUSTRIAL RELATIONS. IT KNOWS THAT PUBLIC OPINION IS NOT AS SYMPATHETIC THIS TIME TO THE MINERS AS IT HAS BEEN IN THE PAST. IT IS ALSO KEENLY AWARE THAT IN ELECTORAL TERMS ITS OWN IDENTIFICATION WITH THE TRADE UNIONS COULD BE POLITICALLY DISASTROUS IF THE PUBLIC IS

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AROUSED AGAINST THEM.

4. THOUGH THE GOVERNMENT MAY NOT BELIEVE THAT IT HAS ANY VIABLE ALTERNATIVES, HEATH'S STRATEGY IS ALSO A HIGH RISK ONE. THE MINERS MAY DECIDE NOT TO PLAY BALL, EVEN UNDER GREAT PRESSURE FROM OTHER UNIONS AND THE PUBLIC AT LARGE. IN SUCH CIRCUMSTANCES, THERE WOULD SEEM TO BE LITTLE ALTERNATIVE TO CALLING A GENERAL ELECTION ON THE BASIS THAT THE GOVERNMENT NEEDED A MANDATE TO TAKE EVEN

MORE DRASTIC MEASURE TO DEAL WITH THE SITUATION.

5. COMMENT: THERE IS MUCH BEHIND-THE-SCENES ACTIVITY GOING ON, AND THERE IS AN OUTSIDE CHANCE THAT SOME REARRANGEMENT OF THE ELEMENTS OF THE OFFER TO THE MINERS COULD LEAD TO A SETTLEMENT. HOWEVER, WITH THE GOVERNMENT'S ACTION YESTERDAY AND MORE TO COME IN ECONOMIC AND FINANCIAL TERMS FROM THE CHANCELLOR ON DECEMBER 17, IT WILL TAKE SOME DAYS FOR ALL THIS TO SINK IN. THE FULL FORCE OF ALL THESE MEASURES WILL NOT BE FELT UNTIL AFTER THE NEW YEAR. THEN THE TIME WILL COME FOR ALL CONCERNED TO MAKE A NEW ASSESSMENT.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ENERGY, CONSERVATION, ECONOMIC PROGRAMS, POLITICAL SITUATION, LABOR UNIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 DEC 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** mcintyresh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973LONDON14796  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731225/aaaaaryz.tel  
**Line Count:** 129  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** mcintyresh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24-Jul-2001 by thomasv0>; APPROVED <17-Sep-2001 by mcintyresh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BRITISH EMERGENCY ECONOMIC MEASURES: HEATH'S POLITICAL STRATEGY  
**TAGS:** PINT, EGEN, UK, (HEATH, EDWARD)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005